

Message Text

LIMITED OFFICIAL USE

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ACTION STR-05

INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 CIAE-00 DODE-00
NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00 AGRE-00
CEA-01 COME-00 EB-08 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 PA-01 CTME-00 AID-05 SS-15 ITC-01
TRSE-00 PRS-01 SP-02 SOE-02 OMB-01 DOE-11 /100 W
-----021428 281029Z /12

O 220815Z DEC 77

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 3777

INFO USMISSION GENEVA IMMEDIATE

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C O R R E C T E D C O P Y (TEXT--PARA FOUR)

USMTN

E.O. 11652: N/A

TAGS: ETRD, GATT, JA

SUBJECT: THROWN SILK

REF: (A) STATE 303474, (B) STATE 253826

SUMMARY: MITI AND MOFA OFFICIALS HAVE EXPRESSED APPRECIATION FOR OUR INTEREST IN A QUIET SETTLEMENT OF THROWN SILK, AND INDICATED THAT DECISION ON WHETHER TO COMPROMISE WITH US OR "CORRECT" THEIR POSITION THROUGH GATT PROCEDURES IS STILL PENDING. WHILE STILL RELUCTANT TO DISCUSS SPECIFIC QUANTITIES (I.E. 1800 BALES), SAKAI'S "HYPOTHETICAL PROJECTIONS" INDICATE THAT USG AND GOJ POSITIONS ARE NOT AS FAR APART AS WE THOUGHT. SAKAI WILL TRY TO HAVE A MORE CLEAR READING ON GOJ POSITION FOR US BY DEC 27, THOUGH WE ARE NOT SURE HOW QUICKLY HE CAN LINE UP SUPPORT FOR A SETTLEMENT WITH OTHER GOJ AND OUTSIDE INTEREST GROUPS.
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END SUMMARY.

1. IN DISCUSSION WITH SAKAI AND HONOBET AT MITI, WE SUGGESTED THAT IN LIGHT OF OUR CONTINUING TRADE TALKS, IT WOULD BE ADVANTAGEOUS TO BOTH SIDES IF WE COULD AVOID FURTHER MISUNDERSTANDINGS ON THE THROWN SILK PROBLEM THROUGH A QUIET COMPROMISE ON THE QUANTITY

OF U.S. BALES ALLOWED TO ENTER JAPAN. WE THEN MENTIONED
REF A INFO ON JAPANESE PROJECTION OF 600 U.S. BALES
FOR THIS QUARTER.

2. CLEARLY STARTLED BY THAT FIGURE, SAKAI AND HONOB
IMMEDIATELY SHUFFLED THROUGH THEIR PAPERS AND CAME
UP WITH THE FOLLOWING DATA: BEFORE THE IMPLEMENTATION
OF THE PRIOR PERMISSION SYSTEM LAST OCTOBER, JAPAN
ALLOWED ENTRY OF 323 U.S. BALES DURING THE FIRST SIX
MONTHS OF JFY 1977 (I.E. APRIL -SEPT. 1977). SINCE
THEN, UNDER WHAT SAKAI CALLED THE "FIRST IMPLEMENTA-
TION" OF THE PRIOR PERMISSION SYSTEM, 320 MORE U.S.
BALES HAVE ENTERED JAPAN. MITI IS NOW PLANNING A
"SECOND IMPLEMENTATION" TO BE PUT INTO EFFECT BEFORE
THE END OF JFY 1977 - THE QUANTITY OF BALES INVOLVED
IS AS YET INSPECIFIED. SAKAI NOTED THAT THE 320 BALES
OF THE FIRST IMPLEMENTATION ACCOUNTED FOR ABOUT 20
PERCENT OF THE TOTAL (1,500 BALES) ALLOWED IN AT THAT
TIME UNDER MITI'S WORLD-WIDE "NON-TRADITIONAL SUPPLIER"
QUOTA. HE THEN SAID THAT WHILE THE WORLD-WIDE QUOTA
FOR JFY 1978 HAD NOT BEEN FORMALLY DECIDED, IT
WOULD PROBABLY BE ABOUT THE SAME AS FOR JFY 1977 --
7,000 BALES. BASED ON THIS, SAKAI MADE A "HYPOTHETICAL
PROJECTION" OF A CONTINUED U.S. SHARE OF ABOUT 20
PERCENT OF THE JFY 1978 QUOTA, THAT IS, APPROXIMATELY
1,400 BALES.
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3. AFTER POINTING OUT THAT WE CANNOT RELY ON "PROJECTIONS"
OF 7,000 OR 20 PERCENT, WE NOTED OUR EARLIER
SUGGESTION OF 1,800 BALES AS A REASONABLE TARGET AND
THAT THERE HAD BEEN NO COUNTER OFFER ON THIS POINT FROM THE GOJ.
WE EMPHASIZED THAT FURTHER NEGOTIATION
COULD STILL LEAD TO SHELIVING OF BOTH FORMAL GATT REPORT
AND OF OUR RETALIATORY ACTION UNDER ARTICLE 301. SAKAI'S
REPLY FIRST STRESSED GOJ IRRITATION OVER LEAKAGE OF
PANEL FINDINGS-- SOMETHING THAT COMPLICATES MITI'S
DOMESTIC POSITION--AS WELL AS GOJ POSITION THAT ANY
U.S. RETALIATION TAKEN PRIOR TO RECOMMENDATIONS OF
GATT COUNCIL WOULD BE IN VIOLATION OF GATT. ON THE
QUESTION OF 1,800 BALES, SAKAI SAID THAT GOJ HAS A
YET UNDECIDED CHOICE OF TWO PROCEDURES; (A) QUIETLY
COMPROMISE WITH US, (B) AMEND ITS LEGAL POSITION ON
THROWN SILK TO BE IN ACCORDANCE WITH GATT (E.G.,
INVOLVE ART. 19). TO OUR SUGGESTION THAT IT WOULD
BE VERY HELPFUL TO HAVE SOME DEFINITE WORD BEFORE THE
NEW YEAR HOLIDAYS, SAKAI SAID THAT WHILE EVERYBODY
IS BUSY WITH THE NEW BUDGET, HE WOULD DO HIS BEST
TO HAVE AN ANSWER FOR US BY THE 27TH.

4. IN SUBSEQUENT MEETING, MOFA (2ND N.AMER. DIV. AND
1ST INT'L ORG. DIVS) OFFICIALS EXPRESSED SYMPATHY
WITH OUR DESIRE TO REACH A QUIET SETTLEMENT, BUT
WERE DOUBTFUL OF MITI'S ABILITY TO COORDINATE PLANS
WITH INDUSTRY/DIET REPRESENTATIVES IN SUFFICIENT
TIME TO GIVE US A FIRM ANSWER BY EARLY JAN. THEY
ALSO POINTED OUT THAT ANY SPECIFIC OFFER ON QUANTITIES
OF THROWN SILK WOULD NECESSITATE "ADJUSTMENTS" WITH
OTHER NON-TRADITIONAL SUPPLIERS THAT WOULD STRAIN
THE PRIOR PERMISSION SYSTEM. IN EXPRESSING OUR
UNDERSTANDING OF THESE PROBLEMS, WE AGAIN EMPHASIZED
THAT OUR POSITIONS ARE NO LONGER FAR APART ON EXACT
QUANTITIES, BUT THAT WE MUST HAVE SOME FIRM REPLY
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WITHIN THE NEXT FEW DAYS IF WE ARE TO AVOID FURTHER
COMPLICATIONS THROUGH FORMAL ACTION.

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ACTION STR-05

INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 CIAE-00 DODE-00
NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00 AGRE-00
CEA-01 COME-00 EB-08 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 PA-01 CTME-00 AID-05 SS-15 ITC-01
TRSE-00 PRS-01 SP-02 SOE-01 OMB-01 DOE-12 /100 W
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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 3778

INFO USMISSION GENEVA IMMEDIATE

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USMTN

5. COMMENT: MITI OFFICIALS, WHOSE TIME IS HEAVILY
TAXED BY NUMEROUS OTHER ISSUES, AND WHO ARE RELUCTANT

TO TAMPER WITH A PROBLEM THAT INVOLVES DOMESTIC INTERESTS DIRECTLY TIED WITH PM FUKUDA, HAVE CLEARLY NOT PAID MUCH ATTENTION TO THROWN SILK (REPLIES TO QUESTIONS SENT REF B HAVE NOT BEEN FORTHCOMING, IN SPITE OF OUR INQUIRIES.) HOWEVER, SAKAI'S "PROJECTIONS" CONVEY IMPRESSION THAT GOJ POSITION ON SILK QUANTITIES IS SOMEWHAT CLOSER TO OURS THAN WE HAD THOUGHT. WE ARE SATISFIED THAT SAKAI WILL MAKE A SINCERE EFFORT TO PRESENT US A FIRM GOJ RESPONSE, BUT ARE UNSURE OF HOW QUICKLY HE CAN LINE UP OTHER GOJ AGENCIES AND INTEREST GROUPS.
MANSFIELD

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